

Annual Financial Statements

for

MANTSOPA LOCAL MUNICIPALITY

for the year ended 30 Jun **2009**

Province:

Free State

AFS rounding:

R (i.e. only cents)

Contact Information:

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MANTSOPA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

General information

Members of the Council

Clr SD Ntsepe	Appointed 5 February 2009	Mayor
Clr MA Majara	Appointed 03 March 2001	Speaker
Clr MC Chomane	Appointed 26 March 2009	Member of the Executive Committee
Clr PN Nakalebe	Appointed 10 September 2008	Member of the Executive Committee
Clr KJ Tsoene	Appointed 4 December 2008	Member of the Executive Committee
Clr HP Olivier	Appointed 03 March 2006	Member of the Executive Committee
Clr Malakane	Appointed 03 March 2006	Member
Clr P Van Vollenhoven	Appointed 03 March 2006	Member
Clr PP Raboko	Appointed 26 March 2009	Member
Clr ME Ncwada	Appointed 03 March 2006	Member
Clr LP Moletsane	Appointed 03 March 2006	Member
Clr TW Litabe	Appointed 5 March 2009	Member
Clr TH Molukanele	Appointed 26 March 2009	Member
Clr SE Tlali	Appointed 21 January 2009	Member
Clr MP Motaung	Appointed 21 January 2009	Member
Clr JE van der Westhuizen	Appointed 03 March 2006	Member

Municipal Manager

CLM Rampai	Appointed 01 November 2006
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Chief Financial Officer

J Mazinyo	Appointed 01 July 2009
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Grading of Local Authority

Two (2)

Auditors

The Auditor-General

Bankers

First National Bank- 6205400975
ABSA -2020000050

MANTSOPA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

General information (continued)

Registered Office:

38 Joubert Street LADYBRAND 9745

Physical address:

Civic Centre
Joubert Street
LADYBRAND

Postal address:

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LADYBRAND
9745

Telephone number:

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MANTSOPA LOCAL MUNICIPALITY
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Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 44, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager:

31 August 2009

FS173 Mantsopa
ANNUAL FINANCIAL STATEMENTS
2008/09

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MANTSOPA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION

as at 30 June 2009

	Note	2009 R
ASSETS		
Current assets		
Cash and cash equivalents	1	705 848
Trade and other receivables from exchange transactions	2	47 745 401
Other receivables from non-exchange transactions	3	12 614 101
Other current financial assets	4	-
Inventories	5	332 228
Prepayments	6	-
Investments	7	5 042 353
Current portion of receivables	8	-
VAT receivable	15	-
Non-current assets held for sale	11	-
Non-current assets		
Non-current receivables	8	243 012
Investments	9	544 424
Other non-current financial assets	4	-
Property, plant and equipment	10	5 262 262
Defined benefit plan asset	52	-
Total assets		72 489 629
LIABILITIES		
Current liabilities		
Trade and other payables from exchange transactions	12	(5 953 969)
Consumer deposits	13	(1 037 245)
VAT payable	14	-
Taxes and transfers payable (non-exchange)	15	-
Current provisions	16	(2 542 833)
Current portion of unspent conditional grants and receipts	17	(5 634 219)
Current portion of borrowings	18	(701 104)
Bank overdraft	20	(5 387 524)
Non-current liabilities		
Non-current unspent conditional grants and receipts	17	-
Non-current borrowings	18	(4 561 159)
Other non-current financial liabilities	20	-
Non-current provisions	21	-
Defined benefit plan obligations	38	-
Total liabilities		(25 818 053)
Net assets		46 671 576
NET ASSETS		
Housing Developing Fund		(440 551)
Accumulated surplus / (deficit)		(46 231 025)
Total net assets		(46 671 576)

MANTSOPA LOCAL MUNICIPALITY STATEMENT OF FINANCIAL PERFORMANCE for the year ending 30 June 2009		
	Note	2009 R
Revenue		
Property rates	19	(8 900 767)
Property rates - penalties imposed and collection charges	19	-
Service charges	20	(43 326 405)
Rental of facilities and equipment	21	(936 064)
Interest earned - external investments	22	(1 854 344)
Interest earned - outstanding receivables	23	(7 694 025)
Fines		(135 058)
Dividend Received		(14 625)
Licences and permits		(1 736)
Government grants and subsidies	22	(62 699 361)
Other income	23	(2 259 403)
Total revenue		(127 821 787)
Expenses		
Employee related costs	24	32 720 130
Remuneration of councillors	25	3 401 902
Bad debts		10 146 541
Repairs and maintenance		5 630 467
Finance costs	26	1 640 447
Bulk purchases	27	12 231 069
Grants and subsidies paid	28	2 588 755
General expenses	29	40 869 159
Leave Provision		100 034
Total expenses		109 328 504
(Profit) / loss on fair value adjustment	30	5 085 889
Inventories:Write-down of obsolete/damaged inventory	5	3 526
(Surplus) / deficit for the period		(13 403 868)

MANTSOPA LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2009

		Accumulated Surplus/(Deficit)	Total: Net Assets
	Note	R	R
Balance at 30 June 2008		(28 270 218)	(28 270 218)
Surplus / (deficit) on revaluation of property of property, plant and equipment		-	-
<i>Prior period adjustments</i>		(4 556 992)	(4 556 992)
Net gains and losses not recognised in the statement of financial performance		-	-
Transfers to / from accumulated surplus/(deficit)		-	-
Surplus / (deficit) for the period		(13 403 868)	(13 403 868)
Balance at 30 June 2009		(46 231 078)	(46 231 078)

MANTSOPA LOCAL MUNICIPALITY		
CASH FLOW STATEMENT		
for the year ending 30 June 2009		
	Note	2009
		R
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		(127 821 788)
Sales of goods and services		(53 300 030)
Grants		(62 699 361)
Interest received		(1 854 344)
Interest earned outstanding		(7 694 025)
Dividends received		(14 625)
Other income		(2 259 403)
Payments		99 081 929
Employee costs		36 122 032
Suppliers		58 730 695
Interest Paid		1 640 447
Indigent grant payments		2 588 755
Net cash flows from operations	44	(12 272 966)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets		24 572 830
Proceeds from sale of fixed assets		(847 187)
Contribution exp income		(3 804 347)
Net cash flows from investing activities		19 921 296
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in investments		(6 683 869)
Other movements		50 457
Repayment of finance lease liability		
Net cash flows from financing activities		(6 633 412)
Net (increase) / decrease in net cash and cash equivalents		1 014 918
Net cash and cash equivalents at beginning of period		3 666 758
Net cash and cash equivalents at end of period	45	4 681 676

MANTSOPA LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2009

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

In accordance with section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003), the Municipality has adopted Standards of Generally Recognised Accounting Practice (GRAP) during the year, GRAP standards are fundamentally different to the fund accounting policies adopted in previous financial years. Exemptions from complying with : GRAP 17 Property, Plant and equipment, GRAP 17 Investment Property, and GRAP 3 Accounting policies, changes in accounting estimates and errors was obtained from the Minister of Finance until the following financial period.

The Municipality may have transactions, events or balances that are outside the ambit of GRAP but which are included in Standards of International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants - Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board or Generally Accepted Accounting Practice issued by the South African Accounting Practices Board and the South African Institute of Chartered Accountants. The Municipality has not complied with the measurement, recognition and disclosure requirements of those accounting standards.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements. Comparative amounts have been excluded per GRAP [1.142] as this is a first adoption of an accrual accounting basis.

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

2.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

		10		
Infrastructure			Other	
Roads and Paving	10-30 years		Buildings	30 years
Pedestrian Malls	20 years		Specialist vehicles	10 years
Electricity	10-30 years		Other vehicles	5 years
Water	15-20 years		Office equipment	3-7 years
Sewerage	15-20 years		Furniture and fittings	15 years
			Watercraft	15 years
			Bins and containers	5 years
Community				
Buildings	30 years		Specialised plant and equipment	10-15 years
Recreational Facilities	20 years		Other items of plant and equipment	2-5 years
Security	3-5 years		Landfill sites	15 years
Heritage assets				
Buildings	30 years			
Paintings and artifacts				

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment property	30 years
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4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

3 NON-CURRENT ASSETS HELD FOR SALE

6.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

6.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

4 INVENTORIES

4.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

4.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

5 FINANCIAL INSTRUMENTS

5.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

5.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

5.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

5.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

5.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

5.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

6 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

7 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

10 REVENUE

10 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on a standard price set by the municipality.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

10 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

15 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

11 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

12 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

Mantsopa Local Municipality and its employees contribute to:

Free State Municipal Pension Fund: Valuation done 30 June 2008

Free State Municipal Provident Fund: Valuation done 30 June 2008

SAMWU National Provident Fund

Sanlam Group Scheme: Valuation done 30 June 2008

MANTSOPA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R
1 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash on hand		2 255
Cash at bank		703 593
		<u>705 848</u>
The Municipality has the following bank accounts: -		
<u>Current Account (Primary Bank Account)</u>		
Absa Bank Limited - Ladybrand Branch: Account Number 2020000050		
First National Bank Limited - Ladybrand Branch: Account Number 62054009751		
Cash book balance at beginning of year		(27 361)
Cash book balance at end of year		703 593
Bank statement balance at beginning of year		7 481 572
Bank statement balance at end of year		5 196 517
Cash book balance at beginning of year		-
Cash book balance at end of year		520 239
Bank statement balance at beginning of year		209 244
Bank statement balance at end of year		520 239
<u>Cash on hand</u>		2 255
Total cash and cash equivalents		705 848
Total bank overdraft		-

	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS			
<u>Trade receivables</u>			
as at 30 June 2009			
Service debtors			
Rates	9 834 166	(5 727 771)	4 106 395
Electricity	5 671 288	(5 225 635)	445 653
Water	26 217 826	(7 704 006)	18 513 820
Sewerage	29 469 680	(8 096 252)	21 373 428
Refuse	14 707 611	(6 315 617)	8 391 994
Fair Value adjustment	-	-	(5 085 889)
Total	85 900 571	(33 069 281)	47 745 401

Summary of Debtors by Customer Classification

	Consumers R	Industrial / Commercial R	National and Provincial Government R
as at 30 June 2009			
Current (0 – 30 days)	4 698 417	519 394	13 549
31 - 60 Days	5 454 863	578 606	12 354
61 - 90 Days	5 169 638	217 371	15 227
91 - 120 Days	(43 296 542)	2 871 209	38 222
121 - 365 Days			
+ 365 Days			
Sub-total	(27 973 624)	4 186 580	79 352
Less: Provision for doubtful debts	-	-	-
Total debtors by customer classification	(27 973 624)	4 186 580	79 352

MANTSOPA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

Note

2009
R

2 Reconciliation of the doubtful debt provision

Balance at beginning of the year	22 707 755
Contributions to provision- current year	10 361 526
Balance at end of year	33 069 281

Trade and other receivables impaired

As of 30 June 2009, trade and other receivables of R 105 667 225 were impaired and provided for.

The amount of the provision was R 33 069 281 - as of 30 June 2009.

The ageing of these receivables is as follows:

3 to 6 months	105 667 225
Over 6 months	-

The fair value of trade and other receivables approximates their carrying amounts.

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Elecdop water Mark	106 487
Exc Housing Prov RDP	733 159
Clinic	318 448
MEV Van Wyk Councillor	32 388
Mvula Trust	239 051
Other Debtors	11 184 568
Total Other Debtors	12 614 101

5 INVENTORIES

Opening balance of inventories:	275 642
Consumable stores - at cost	275 694
Cattle	-
Additions:	
Water	56 586
Issued (expensed):	-
Consumable stores	-
Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost (NRC):	
Consumable stores	3 526
Closing balance of inventories:	332 228
Consumable stores	275 533
Cattle	3 687
Water	56 586

Obsolete/damaged goods

Consumable stores and stock count that raised an Inventory write down	3 526
---	-------

7 INVESTMENTS

Deposits	50 666
Call investments	4 991 686
	5 042 353

Fixed deposits amounting to R 11 820 575 have been ring-fenced for the purposes of repaying long-term liabilities as sent out in Note 36.

MANTSOPA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R
8 NON-CURRENT RECEIVABLES		
Sport Club Loan		243 012
Total		243 012
OTHER LONG TERM LOANS		
The loan bears interest of 1%, with repayments of R 667.82 monthly payments over 60 months and was issued in 1994.		
9 INVESTMENTS		
<u>Long term investments</u>		
Fixed Deposits		373 799
Listed Investments		170 625
Other Investments		-
		544 424
Pledged Investments		
A fixed deposit amounting to R 373 799 has been invested with Nedcor Bank Bank R73 392 and OVK Operations Ltd R 300 406.		
10 PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment at beginning of the year		244 474 229.00
Add: Additions during the year		24 572 830.00
Less: Disposals during the year		-847 187.00
Total Fixed Assets		268 199 872.00
Capital redeemed and other capital receipts		262 937 611.00
Net Fixed Assets		5 262 261.00
Refer Appendix C		

MANTSOPA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

10 PROPERTY, PLANT AND EQUIPMENT

11.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2008	-	50 000	-	-	-	-	-	50 000
Cost/Revaluation	-	50 000	-	-	-	-	-	50 000
Correction of error (note 48)								-
Change in accounting policy (note 47)								-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Acquisitions	34 797	28 996	5 912 781	147 040	24 778 189	-	-	30 901 803
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Carrying value of disposals	-	42 105	-	-	-	-	-	42 105
Cost/Revaluation	-	42 105	-	-	-	-	-	42 105
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-
as at 30 June 2009	34 797	69 101	5 912 781	147 040	-	-	-	6 163 719
Cost/Revaluation	34 797	69 101	5 912 781	147 040	-	-	-	6 163 719
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-

*Other movements consist of

Refer to Appendix B for more detail on property, plant and equipment

[App B!A1](#)

MANTSOPA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

11.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2007	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Correction of error (note 48)	-	-	-	-	-	-	-	-
Change in accounting policy (note 47)	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-	-
as at 30 June 2008	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-

*Other movements consist of

Refer to Appendix B for more detail on property, plant and equipment [App B!A1](#)

MANTSOPA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
11.2 Property, plant and equipment pledged as security			
Asset 1			
Terms and conditions			
Asset 2			
Terms and conditions			
11.3 Capitalised expenditure			
Asset 1			
Asset 2			
Asset 3			
		-	-
11.4 Compensation received for losses on property, plant and equipment – included in operating surplus			
Asset 1			
Asset 2			
Asset 3			
		-	-
11.5 Details of valuation			
<p>The effective date of the revaluations was x. Revaluations were performed by an independent valuer, Mr Botha [specify qualifications], of Messrs Botha and Rudd. Botha and Rudd are not connected to the entity.</p> <p>Land and buildings are re-valued independently every x years.</p> <p>The valuation was performed using the discounted cash flow approach (other, describe, e.g. recent arms length transaction), and the following assumptions were used:</p> <p>Discount rate</p> <p>Other</p> <p>Other</p> <p>These assumptions are based on current market conditions.</p> <p>The carrying value of the revalued assets under the cost model would have been:</p>			
Asset 1			
Asset 2			
Asset 3			

-	-
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11.6 Other information

Carrying value of idle property, plant and equipment
 Fully depreciated property, plant and equipment still in use
 Property, plant and equipment retired from active use, but not classified as held for sale
 Fair value of property, plant and equipment carried at cost

-	-
---	---

11.7 Details of property

Property X

Terms and conditions
 Purchase price: date
 Additions since purchase
 Capitalised expenditure

-	-
---	---

Property Y

Terms and conditions
 Purchase price: date
 Additions since purchase
 Capitalised expenditure

-	-
---	---

MANTSOPA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R
11 NON-CURRENT ASSETS HELD FOR SALE		
Property, plant and equipment		-
Investment property		-
Other assets		-
		<u>-</u>
<i>The Municipality has identified certain items of property plant and equipment that will be sold at an auction. At the date of reporting no actual values of the items had been received.</i>		
12 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors		(5 953 351)
Medical Aid Continuos Members		(618)
Total creditors		<u>(5 953 969)</u>
The fair value of trade and other payables approximates their carrying amounts.		
13 CONSUMER DEPOSITS		
Electricity and Water		(1 037 245)
Total consumer deposits		<u>(1 037 245)</u>
14 VAT PAYABLE		
VAT payable		<u>-</u>
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
15 VAT RECEIVABLE		
VAT receivable		<u>-</u>
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
16 PROVISIONS		
Provision for leave		(2 542 833)
Total Provisions		<u>(2 542 833)</u>
The movement in current provisions are reconciled as follows: -		
	Provision for leave	
as at 1 July 2008		(3 012 406)
Contributions to provision		569 607
Expenditure incurred		(100 034)
as at 30 June 2009		<u>(2 542 833)</u>
17 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
17.1 Unspent Conditional Grants from other spheres of Government		
MIG Grants		(5 634 219)
Total Unspent Conditional Grants and Receipts		<u>(5 634 219)</u>
Non-current unspent conditional grants and receipts		-
Current portion of unspent conditional grants and receipts		-
See Note 31 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.		
18 BORROWINGS		
Local Registered Stock Loans		(4 051 909)
Annuity Loans		(149 655)
Government Loans : Other		(359 594)
		(4 561 159)
Less : Current portion transferred to current liabilities		701 104
Local Registered Stock Loans		623 311
Annuity Loans		21 371
Government Loans : Other		56 423
Other borrowings		-
Total borrowings		<u>(3 860 054)</u>
Refer to Appendix A for more detail on borrowings.		

MANTSOPA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R
20 OTHER FINANCIAL LIABILITIES		
24.1 OTHER NON-CURRENT FINANCIAL LIABILITIES		
Other non-current financial liabilities		-
24.2 OTHER CURRENT FINANCIAL LIABILITIES		
Other current financial liabilities		(5 387 524)
19 PROPERTY RATES		
Actual		
Residential		(6 759 080)
Commercial		(3 705 523)
Residential rates rebates		1 563 836
Total property rates		(8 900 767)
Property rates - penalties imposed and collection charges		-
Total		(8 900 767)
Valuations		
Residential		
Commercial		
State		
Municipal		
Total Property Valuations		-
Valuations on land and buildings are performed every four years. The last valuation came into effect on April 2008.		
A general rate of Rx (20X0) is applied to property valuations to determine assessment rates. Rebates of x% are granted to residential and state property owners. Rates are levied on an annual basis on property owners.		
Rates are levied on an annual basis with the final date of payment being 30 November 20X1 (20X0: 30 November). Interest at x% per annum (20X0:x%) is levied on outstanding rates as well as x% (20X0: x%) collection charge two months after final date of pay		
20 SERVICE CHARGES		
Levies Household		(32 906 009)
Levies Business		(3 131 326)
Levies Manyatseng		(6 774 062)
Levies Mauernek and Street Light		(515 008)
Total Service Charges		(43 326 405)
21 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities		(71 084)
Rental of equipment		(40 776)
Other rentals		(824 204)
Total rentals		(936 064)
22 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share		(32 944 712)
MIG Grant		(25 911 451)
Other Government Grants and Subsidies		(3 843 198)
Total Government Grant and Subsidies		(62 699 361)
22.1 Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R 279.30 which is funded from the grant.		
22.2 MIG Grant		
Balance unspent at beginning of year		(13 226 670)
Current year receipts		(25 911 451)
Conditions met - transferred to revenue		8 327 457
Conditions still to be met - remain liabilities (see note 21)		(30 810 664)
Provide explanations of conditions still to be met and other relevant		
Provide explanations of conditions still to be met and other relevant		
22.3 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		

MANTSOPA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R
23 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS		
23.1 Other income		(2 223 354)
Bad Debt Recovery		(36 049)
Total Other Income		<u><u>(2 259 403)</u></u>
23.2 Public contributions and donations		(2 223 354)
Public contributions - Conditional		-
Public contributions - Unconditional		
Donations		
Total public contributions and donations		<u><u>(2 223 354)</u></u>
Conditions still to be met - remain liabilities (see note 21)		<u><u>-</u></u>

Provide explanations of conditions still to be met and other relevant

24 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	22 388 945
Travel, motor car, accommodation, subsistence and other allowances	4 836 637
Housing benefits and allowances	130 758
Overtime payments	3 492 739
Long-service bonus awards	1 871 051
Total Employee Related Costs	<u><u>32 720 130</u></u>

There were no advances to employees / Loans to employees are set out in note 3.

Remuneration of the Municipal Manager

Annual Remuneration	356 380
Performance- and other bonuses	252 667
Travel, motor car, accommodation, subsistence and other allowances	120 000
Contributions to UIF, Medical and Pension Funds	94 549
Total	<u><u>823 596</u></u>

Remuneration of the Chief Finance Officer

Annual Remuneration	217 609
Performance- and other bonuses	135 428
Travel, motor car, accommodation, subsistence and other allowances	185 301
Contributions to UIF, Medical and Pension Funds	65 498
Total	<u><u>603 836</u></u>

Remuneration of Individual Executive Directors

	Technical Services R	Corporate Services R
2009		
Annual Remuneration	316 597	209 896
Performance- and other bonuses	94 458	165 373
Travel, motor car, accommodation, subsistence and other allowances	244 270	108 040
Contributions to UIF, Medical and Pension Funds	80 360	63 579
Total	<u><u>735 685</u></u>	<u><u>546 888</u></u>
	Technical Services R	Corporate Services R
2008		
Annual Remuneration	247 699	367 443
Performance- and other bonuses	19 171	20 403
Travel, motor car, accommodation, subsistence and other allowances	131 415	121 611
Contributions to UIF, Medical and Pension Funds	72 296	63 221
Total	<u><u>470 581</u></u>	<u><u>572 678</u></u>

25 REMUNERATION OF COUNCILLORS

Mayor	533 140
Executive Committee Members	781 857
Councillors	735 031
Councillors' pension and medical aid contributions	247 176
Councillors' allowances	663 437
Total Councillors' Remuneration	<u><u>3 401 902</u></u>

In-kind Benefits

The Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of the Council owned vehicle for official duties. The Mayor has one (1) full-time bodyguards, and one (1) driver.

MANTSOPA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R
26 FINANCE COSTS		
Redemption - External		789 710
Interest - External		850 737
Total Finance Costs		<u><u>1 640 447</u></u>
27 BULK PURCHASES		
Eskom Purchases		11 460 728
Water Purchases		770 341
Total Bulk Purchases		<u><u>12 231 069</u></u>
28 GRANTS AND SUBSIDIES PAID		
Grant/subsidy to Indigent users - Free Basic Electricity		2 588 755
		<u><u>2 588 755</u></u>
<i>In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R 1300 which is funded from this grant.</i>		

MANTSOPA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

Note	2009 R
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29 GENERAL EXPENSES

Included in general expenses are the following:-

Advertising	182 772
Admin fees	7 751 514
Audit fees	2 075 453
Bank charges	194 151
Books & reference	-
Cleaning	45 600
Chemicals	1 142 588
Connection charges	64 081
Chloorgas and chlorine	115 688
Consumables and other	51 127
Cost of goods sold	-
Coupon purchase electricity	-
Entertainment	363 865
Fmg expenditure	660 776
Fuel and oil	2 162 204
Insurance	846 803
Legal expenses	715 729
Interest creditors	19 338
Licence fees	65 543
Pauper burials, plants and other	3 316
Medical assistance	4 684
Promalgalion	-
Postage	262 356
Printing and stationery	509 693
Programs	970 910
Public consultation	393 044
Refreshment	599
Refuse bag	4 152
Sympathy	10 921
Sanitation, water & electricity	1 215 429
Statutory con & strategic planning	386 002
Skills development levy	287 149
Special day event and managers	116 935
Subscription & publication	9 683
Telephone costs	1 056 622
Training	540 972
Transport & tourism	244 106
Travel and subsistence	108 459
Travelling, managers, councilors & sub	783 001
Valuation cost	53 042
Other	17 450 852

40 869 159

MANTSOPA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R
30 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT		
Other financial assets- Fair value adjustment of debtors		5 085 889
Total Profit / (Loss) on Fair Value Adjustment		5 085 889
31 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year		(13 403 868)
Adjustment for:-		
Depreciation and amortisation		-
(Gain) / loss on sale of assets		-
Contribution to provisions - leave		
Contribution to provisions - current		(100 034)
Finance costs		(1 640 447)
Fair value adjustments		(5 085 889)
Interest earned		9 562 994
Bad debts		(10 146 541)
Other non-cash item-allocation else where		(7 751 514)
Operating surplus before working capital changes:		(28 565 299)
(Increase)/decrease in inventories		(133 490)
(Increase)/decrease in trade receivables		(2 002 435)
Increase/(decrease) in conditional ungrants and receipts		7 592 451
Increase/(decrease) in trade payables		9 648 480
Increase/(decrease) in consumer deposits		1 161 887
Increase/(decrease) in VAT payable		
Cash generated by/(utilised in) operations		16 466 893
32 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash		705 848
Bank overdrafts		-
Net cash and cash equivalents (net of bank overdrafts)		705 848
33 CHANGE IN ACCOUNTING POLICY		
The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:		
33.1 Statutory Funds		
Balance previously reported: -		
Capital Development Fund		(12 979 686)
Erven Fund		(665 081)
Total		(13 644 767)
Implementation of GRAP		
Transferred to Provision for bad debts		13 644 767
33.2 Provisions and Reserves		
Balance previously reported		
Provision for bad debts		(22 707 753)
Staff Bursary Reserve		
Total		(22 707 753)
Implementation of GRAP		
Transferred to Bad debts		(10 146 541)
Transferred to provision for bad debts		5 554 637
33.3 Inventory		
Balance previously reported		
Implementation of GRAP		465 770
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)		(190 216)
Write down of obsolete inventory		(3 545)
Total		272 009
33.4 Non-current provisions		
Balance previously reported -		
Implementation of GRAP		
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)		
Long-service		
Total		-
33.5 Accumulated Surplus/(Deficit)		
Implementation of GRAP		
Adjustments to inventory (see 47.3 above)		(193 761)
Excessive provisions and reserves no longer permitted (see 47.2 above)		5 554 637
Transferred from statutory funds (see 47.1 above)		13 644 767
Total		19 005 643

MANTSOPA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

Note	2009 R
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34 CORRECTION OF PREVIOUS YEARS ERROR

During the year ended 30 June 2009, -

The comparative amount has been restated as follows:

Corrections of prior year adjustments: Appropriation Income	4 863 053
Appropriation Expenditure	(306 061)
Net effect on surplus/(deficit) for the year	<u>4 556 992</u>

35 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	
Fruitless and wasteful expenditure current year	19 338
Condoned or written off by Council	
Transfer to receivables for recovery – not condoned	
Irregular expenditure awaiting condonement	<u>19 338</u>

Incident	Disciplinary steps/criminal proceedings
Interest on overdue accounts payables	

**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE
36 MANAGEMENT ACT**

36.1 Contributions to organised local government

Opening balance	
Council subscriptions-current year	169 717
Amount paid - current	146 603
Amount paid - previous years	310 195
Balance unpaid (included in payables)	<u>626 515</u>

36.2 Audit fees

Opening balance	-
Current year audit fee	2 075 453
Amount paid - current year	(2 075 453)
Amount paid - previous years	-
Balance unpaid (included in payables)	<u>-</u>

36.3 Councillor's arrear consumer accounts

	Total	Outstanding less than 90 days
The following Councillors had arrear accounts outstanding for more than 90 days as at: -		
	R	R
as at 30 June 2009		
Councillor SJ Nakalebe	17 670	17 670
Councillor V Raboko	19 315	19 315
Councillor MA Majara	1 701	1 701
Councillor KJ Tsoene	2 028	2 028
Total Councillor Arrear Consumer Accounts	<u>40 714</u>	<u>40 714</u>

MANTSOPA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R
Non-Compliance with Chapter 11 of the Municipal Finance Management Act		
37 Management Act		
The Municipality has developed and adopted a supply chain management policy dated 30 November 2005.		
38 RETIREMENT BENEFIT INFORMATION		
38.1 Defined contribution plan		
The following are defined contribution plans: These contributions have been expensed.		
38.2 Defined benefit plan		
The following are defined benefit plans . These are not treated as defined benefit plans as defined by IAS19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.		
Certain employees of the municipality belong to the XXX Fund, a multi-employer plan / state plan. The most recent actuarial valuation was done on 30 June 2008. These valuations indicate that the plan is in a sound financial position. The estimated liabilities of the fund are Rx million which are adequately funded by assets of Rx million.		
An amount of R 2 673 309 was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.		
39 IN-KIND DONATIONS AND ASSISTANCE		
The Municipality received the following in-kind donations and assistance		
Description		
E.g. Development of Integrated Development Plan by donor agency		
40 RELATED PARTIES		
Close family member of key management		Wife of Councillor KJ Tsoene
Related party balances		
Amounts included in Trade receivable (Trade payable) regarding related parties		Nil
Related party transactions		
Purchases from Counsellor KJ Tsoene's wife's company		126 999

MANTSOPA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

Note

2009
R

41 EVENTS AFTER THE REPORTING DATE

The Municipality has applied and been granted the privilege of an upgrade from Grade 2 to a Grade 3 category.

42 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Fair value of debtors
Provision for doubtful debts

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets
Provisions
Other

43 RISK MANAGEMENT

43.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Old Mutual
Bank B
Interest rate swaps
Financial guarantees
Trade and other receivables

These balances represent the maximum exposure to credit risk.

The municipality is exposed to a number of guarantees for the overdraft facilities of Group companies and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note (N#) for additional details.

60.3 Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At year end, financial instruments exposed to interest rate risk were at:

- Call deposits
- Notice deposits
- Long term annuity
- Development Bank of South Africa loan
- ABSA overdraft

45 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)

MANTSOPA LOCAL MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
as at 30 June 2009

	Loan number	Redeemable Date	Balance at 30 June 2008	Received during the period	Redeemed / written off during the period	Balance at 30 June 2009	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
EXTERNAL LOANS			R	R	R	R	R	R
LONG-TERM LOANS								
Development Bank of SA								
Stock Loan @ 14%	56	2 013	713 473	95 122		618 351		
Stock Loan @ 14%	56	2 013	426 186	56 820		369 366		
Stock Loan @ 14%	56	2 013	468 739	62 493		406 246		
Stock Loan @ 14%	56	2 016	192 324	25 641		166 683		
Stock Loan @ 14%	29	2 016	673 660	89 814		583 847		
Stock Loan @ 14%	29	2 016	287 381	38 314		249 067		
Stock Loan @ 14%	29	2 017	392 223	52 292		339 931		
Stock Loan @ 14%	52	2 016	75 708	10 094		65 615		
Stock Loan @ 14%	52	2 016	4 736	631		4 105		
Stock Loan @ 14%	52	2 016	11 604	1 547		10 057		
Stock Loan @ 14%	52	2 013	150 877	20 115		130 762		
Stock Loan @ 14%	52	2 013	256 943	34 256		222 687		
Stock Loan @ 14%	52	2 013	870 280	116 028		754 252		
Stock Loan @ 14%	52	2 013	870 280	116 028		754 252		
Total long-term loans			5 394 415	719 195	-	4 675 220		
ANNUITY LOAN								
SANLAM/ABSA/INKA @ 16%	13	2 014	159 651	15 449	-	144 202		
SANLAM/ABSA/INKA @ 16%	13	2 014	29 697	2 873	-	26 824		
			189 348	18 322	-	171 026		
GOVERNMENT LOANS								
LOCAL GOVERNMENT LOANS DBSA								
Other @ 14.69%	56	2 013	26 957	3 982	-	22 975		
Other @ 16.32%	56	2 017	303 091	16 611	-	286 480		
Other @ 14.10%	13	2 010	18 497	8 619	-	9 877		
Other @ 17.18%	56	2 010	119 665	22 981	-	96 684		
Total Government Loans			468 210	52 193	-	416 017		
TOTAL EXTERNAL LOANS			6 051 973	789 711		5 262 262		

MANTSOPA LOCAL MUNICIPALITY

**APPENDIX B
SCHEDULE OF EXTERNAL LOANS
as at 30 June**

Expenditure 2008	Service	Budget 2009	Balance at June 2008	Expenditure during year	Redeemed Transferred or written off	Balance at 30 June 2009
60062668	RATES & GENERAL SERVICES	32 454 380.00	171 273 307.00	16 822 797.00	847 187.00	187 248 916.00
1505376	COMMUNITY SERVICES	9 211 500.00	30 817 997.00	3 424 829.00	-57 335.00	34 300 160.00
0	Clinics	-	721 374.00	-	-	721 374.00
0	Environmental Health	-	34 797.00	-	-	34 797.00
805233	Roads and Streets	7 900 000.00	22 664 702.00	3 051 025.00	-	25 715 727.00
340325	Municipal Manager	-	786 864.00	-	-43 961.00	830 825.00
0	Internal Audit	15 000.00	-	-	-	-
216460	Administrative Service	310 000.00	1 146 572.00	-	-	1 148 572.00
0	Development	112 500.00	3 679 772.00	-	-	3 679 772.00
26996	PMU	50 000.00	28 996.00	42 105.00	-	69 101.00
20836	Financial Services	724 000.00	1 428 120.00	331 698.00	-	1 759 818.00
95526	Traffic Services	100 000.00	328 799.00	-	-13 374.00	342 173.00
226310	SUBSIDISED SERVICES	210 000.00	26 070 316.00	-	904 522.00	25 165 794.00
0	Cemetery	-	47 618.00	-	-	47 618.00
0	Fire Protection	-	152 814.00	-	-	152 814.00
0	Library	-	859 061.00	-	-	859 061.00
95260	Parks and Recreation	-	1 685 471.00	-	-	1 685 471.00
131050	Properties	210 000.00	23 324 352.00	-	904 522.00	22 420 830.00
0	Unsold Ervern	-	-	-	-	-
58330982	ECONOMIC SERVICE	23 032 880.00	114 384 994.00	13 397 968.00	-	127 782 962.00
0	Sanitation	2 200 000.00	2 644 446.00	174 737.00	-	2 819 183.00
618923	Farming	-	5 912 781.00	-	-	5 912 781.00
57712059	Sewerage	20 832 880.00	105 827 767.00	13 223 323.00	-	11 905 099.00
40000	HOUSE SERVICES	15 000.00	4 682 815.00	-	-	4 682 815.00
4011289	TRADING SERVICE	6 170 120.00	68 518 107.00	7 750 033.00	-	76 268 143.00
213126	Electricity	260 000.00	12 673 265.00	-	-	12 673 265.00
3798163	Water	5 910 120.00	55 844 842.00	7 750 033.00	-	63 594 878.00
64113957	TOTAL FIXED ASSETS	38 639 500.00	244 474 229.00	24 572 830.00	847 187.00	268 199 874.00
LESS:	CAPITAL REDEEMED AND OTHER CAPITAL RECEIPT:		238 422 256.00	25 362 541.00	-847 187.00	262 937 610.00
	Loans redeemed and advances repaid		8 308 214.00	789 711.00	-	9 097 925.00
	Contributions ex operating income		41 071 272.00	3 804 347.00	847 187.00	45 722 806.00
	Contributions ex erven fund		720 467.00	-	-	720 467.00
	Contributions ex capital reserve		147 040.00	-	-	147 040.00
	Provisions and reserve		2 269 064.00	-	-	2 269 064.00
	Grants and subsidies		160 675 333.00	20 768 483.00	-	181 443 816.00
	Public contributions		452 677.00	-	-	452 677.00
	Other Income		24 778 189.00	-	-	24 778 189.00
	NET FIXED ASSETS		6 051 973.00	-789 711.00	1 694 374.00	5 262 264.00

FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

**ANALYSIS OF OPERATING INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2009**

APPENDIX C

ACTUAL 2008		ACTUAL 2009	BUDGET 2009
INCOME			
27 721 437	GRANTS AND SUBSIDIES	62 558 361	28 397 210
27 282 039	Governmental grants	62 074 111	27 282 000
439 398	District Municipality	300 000	727 210
0	Provincial subsidies	184 250	388 000
61 582 159	OPERATING INCOME	65 263 426	57 905 927
11 881 506	Assessment rates	8 900 767	8 332 242
13 226 428	Sale of electricity	14 765 365	14 522 577
8 524 459	Sale of water	14 933 797	13 852 615
27 949 766	Other service charges	26 663 497	21 198 493
89 303 596		127 821 787	86 303 137
EXPENDITURE			
30 426 360	Salaries,wages and allowances	36 198 299	30 818 790
35 668 599	General expenses	53 794 650	43 648 485
7 734 591	Purchase of electricity	11 460 728	8 540 000
578 278	Purchase of water	583 812	600 000
6 016 603	Indigents subsidised ex Equitable Share	2 588 755	10 862 359
21 339 127	Other general expenses	39 161 354	23 646 126
3 626 540	Repairs and maintenance	5 863 176	5 706 700
2 804 432	Capital charges	1 640 447	3 011 973
1 805 064	Contributions to fixed assets	24 572 830	2 529 000
6 735 007	Contributions to provisions	100 034	8 025 358
81 066 002	Gross expenditure	122 169 436	93 740 306
7 438 724	Less :Amounts charged out	7 751 514	7 438 723
73 627 278	Net expenditure	114 417 922	86 301 583
15 676 318	Net(Deficit)/Surplus	13 403 865	1 554

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

APPENDIX D

2008 Actual Income	2008 Actual Expenditure	2008 Surplus (Deficit)		2009 Actual Income	2009 Actual Expenditure	2009 Surplus/ (Deficit)	2009 Budget Surplus/ (Deficit)
R	R	R		R	R	R	R
65 360 104	48 523 365	16 836 739	RATES AND GENERAL SERVICES	78 866 698	11 781 603	78 916 077	(49 379)
43 955 176	27 631 277	16 323 899	Community services	40 310 521	11 781 603	44 665 974	(4 355 453)
11 881 506	0	11 881 506	Assessment rates	-	0	-	8 332 242
973 064	695 060	278 004	Environmental Health	0	800 461	(800 461)	0
0	516 713	(516 713)	Project Management Unit	436 742	950 979	(514 237)	0
0	1 025 383	(1 025 383)	Development	1 565 851	1 448 280	117 571	(461 360)
3 968 526	4 892 522	(923 996)	Roads & streets	7 537 138	8 621 740	(1 084 603)	(2 107 601)
3 138 583	6 106 520	(2 967 937)	Town clerk & council	5 404 931	8 092 249	(2 687 318)	(1 044 471)
235 909	3 635 522	(3 399 613)	Town Secretariat	492 736	3 516 007	(3 023 271)	(3 782 263)
0	397 211	(397 211)	Internal Audit	440 273	351 419	88 854	(444 111)
287 395	644 127	(356 732)	IDP	787 395	1 157 275	(369 880)	(621 784)
23 337 873	8 869 578	14 468 295	Town Treasurer	23 510 695	19 041 082	4 469 613	1 561 687
132 320	848 641	(716 321)	Traffic services	134 761	686 482	(551 721)	(778 706)
1 439 288	4 629 358	(3 190 070)	Subsidised services	3 620 476	-	5 615 631	(1 995 155)
81 793	2 327	79 466	Cemetery	84 068	6 245	77 822	3 676
412 832	919 019	(506 187)	Fire protection	1 295 710	1 069 128	226 582	(619 248)
77 602	1 127 402	(1 049 800)	Library	1 304 635	1 247 337	57 297	(1 238 609)
0	1 209 262	(1 209 262)	Parks & recreation	0	2 014 669	(2 014 669)	(1 594 645)
867 061	1 371 348	(504 287)	Properties	936 064	1 278 251	(342 187)	(763 793)
19 965 640	16 262 730	3 702 910	Economic service	34 935 701	-	28 634 473	6 301 229
6 521 885	6 059 978	461 907	Refuse removal	6 311 586	6 055 589	255 997	45 498
13 281 559	9 805 565	3 475 994	Sewerage	28 624 115	22 505 006	6 119 109	862 840
162 196	397 187	(234 991)	Farming	-	73 878	(73 878)	0
227 368	699 647	(472 279)	HOUSING SERVICE	450	586 693	(586 243)	(497 443)
23 716 124	24 404 266	(688 142)	TRADING SERVICE	38 428 425	-	34 915 152	3 513 273
13 396 470	11 287 166	2 109 304	Electricity	14 881 532	16 062 193	(1 180 660)	2 260 480
10 319 654	13 117 100	(2 797 446)	Water	23 546 893	18 852 959	4 693 933	889 165
89 303 596	73 627 278	15 676 318	TOTAL	117 295 573	114 417 922	2 877 651	1 554
		(16 802 806)	Appropriation for the year (Refer Note 18)			4 556 992	
		(1 126 488)	Net surplus/(deficit) for year			7 434 643	
		29 396 705	Accumulated surplus/(deficit) beginning of the year			28 270 217	
		28 270 217	Accumulated surplus/(deficit) at end of the year			35 704 860	

MANTSOPA MUNICIPALITY**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009****OTHER DETAIL INFORMATION NEEDED I.T.O. MFMA Sec 125(1)****APPENDIX H**

	BUDGETED 2009	ACTUAL 2009
TAXES		
SITE and PAYE		2 952 851
VAT		73 239
LEVIES		
Skills Development Levy		286 198
Compensation Commissioner		312 679
SALGA		190 000
SALGBC		24 792
UIF		490 664
DUTIES		
SAMRO		3 906
PENSION FUND CONTRIBUTIONS		
Freestate Municipal Providend Fund		318 937
Freestate Municipal Pension Fund		527 339
SALA Pension Fund		776 686
SALA/Municipal Councillors P Fund		468 464
SAMWU National Providend Fund		2 204 845
Local Government Pension Fund		316 320
SANLAM Retirement Fund		90 000
SANLAM Group Scheme		869 450
Old Mutual Employees Benefits(Orion)		91 139
Investec Employee Benefits		11 824
		5 675 004
MEDICAL AID CONTRIBUTIONS		
Key Health /Munimed		1 037 894
LA Health		24 150
Bonitas		1 976 538
Hosmed		108 219
SAMWUMED		1 007 833
		4 154 634

MANTSOPA MUNICIPALITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

STATISTICAL INFORMATION

APPENDIX F

GENERAL STATISTICS		2007/2008	2008/2009
Population		56930	56930
Valuation of property taxable	Properties	531861871	149207361
Date of valuation from July 2008 till June 2008	Improvements	499738185	0
Valuation of property non-taxable	Properties	542323	130883650
Date of valuation from July 2008 till June 2008	Improvements	3939300	0
Valuation of residential property	Properties	304088330	74670680
	Improvements	344606150	0
Valuation of commercial property	Properties	5994802	39557460
	Improvements	68615994	0
Number of residential properties		9326	9326
Number of commercial properties		434	434
Number of farms		1240	1856
Assessment rates : Cent in the rand			
Residential	Properties	0.0145	0.0050
	Improvements	0.0145	0.0000
Commercial	Properties	0.0270	0.0100
	Improvements	0.0270	
Industrial	Properties	0.0195	0.0100
	Improvements	0.0195	0.0000
Agricultural	Properties	0.0040	0.0009
	Improvements	0.0040	0.0000
Discount allowed			
Number of employees		264	274

STATISTICAL INFORMATION (Continue)

ELECTRICITY		2008	2009
Number of users		2165	2165
Units bought		38289181	42887200
Units sold		27905876	27042793
Units lost in distribution		10383305	15844407
Units lost percentage of units bought		27.12	36.94
Cost per unit bought		0.20	0.27
Randvalue loss in distribution		2097475	4234094
Cost per unit sold		0.40	0.59
Income per unit sold		0.48	0.61
WATER		2008	2009
Number of users		11854	11854
Units bought		N/A	N/A
Units sold		2841486	56315618
Units lost in distribution		N/A	N/A
Units lost percentage of units bought		N/A	N/A
Cost per unit sold		4.62	3.34
Income per unit sold		3.63	4.00